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PAGE:0196

INQUIRE=DOC21D
ITEM NO=00269028
ENVELOPE

CDSN = LGX940 MCN = 93079/00542 TOR = 930790017
RTTCZYUW RUEKJCS8773 0790011-CCCC--RUEALGX.
ZNY CCCCC

HEADER

R 200011Z MAR 93
FM DIA WASHINGTON DC
INFO RUEAHQA/CSAF WASHINGTON DC
RUVKSRT/12 AF BERGSTROM AFB TX//IN//
RUEOACC/CDRPSYOPGP FT BRAGG NC//AORC-POG-SB//
RUANJTF/CJTF FOUR
RUCBSAA/USCINCLANT NORFOLK VA//J2//
RUWANGC/CJTF FIVE//J20//
RUWSMXI/AMC INTEL CEN SCOTT AFB IL//IN//
RUCQVAB/USCINCSOC INTEL OPS CEN MACDILL AFB FL
RUWANTX/CJTF SIX
RHLBAAA/USCINCSO QUARRY HEIGHTS PM
RULKAN/MARCORINTCEN QUANTICO VA
RUEALX/SAFE
R 192232Z MAR 93
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 7407
INFO RUEOACC/CDR 4TH PSYOP-GP FT BRAGG NC
RUEHIA/USIA WASHDC 4453
RUEHNA/DEAHQS WASHDC
RUEAIIA/CIA WASHDC
RUEADWW/DIRONDCP WASHDC
RULSJGA/COGARD INTELCOORDCEN WASHDC
RULSJGA/COGARD WASHDC
RULGSGG/USSOUTHAF FWD HOWARD AFB//PM
RHLBAAA/USCINCSO QUARRY HEIGHTS PM
RUDGSTD/DOS PATRICK AFB FL
RUEHGT/AMEMBASSY GUATEMALA 1978
RUFHMB/USMISSION USVIENNA 1604
RUEHQT/AMEMBASSY QUITO 4530
RUEHPE/AMEMBASSY LIMA 6463
RUEHBO/AMEMBASSY BOGOTA 1125

BT

CONTROLS

C O N F I D E N T I A L

LIMITED OFFICIAL USE SECTION 01 OF 02 LA PAZ 003879

STATE PLS PASS TO AID FOR LAC/SAM

E.O. 12356: N/A

/***** THIS IS A COMBINED MESSAGE *****/

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IS/FPC/CDR *mm* Date *5/26/93*

DEPARTMENT OF STATE	MR Cases Only: EO Citations	TS authority to: () S or () C OADR () DOWNGRADE TS to () S or () C OADR
RELEASE () EXCISE () DENY () DELETE Non-Responsive Info FOIA Exemptions PA Exemptions	DECLASSIFY () DECLASSIFY IN PART	

CONFIDENTIAL

FOUO

PAGE:0197

TAGS: SNAR, BL

SUBJECT: WHEN COCA IS LEGAL, THE MARKET MUST BE
REGULATED.

SUMMARY

1. EFFECTIVE REGULATION OF THE LEGAL COCA MARKET HELPS TO BOTH DRIVE DOWN THE PRICE OF RAW LEAF, AND REDUCE THE SUPPLY OF COCA AVAILABLE FOR ILLICIT USE. CONSISTENTLY LOWER PRICES ALSO HELPS ENCOURAGE COCA FARMERS TO PARTICIPATE IN VOLUNTARY ERADICATION AND ALTERNATIVE DEVELOPMENT PROJECTS. DINACO, THE GOB AGENCY CHARGED WITH REGULATING THE LEGAL COCA MARKET, HAS BEEN SUCCESSFUL IN GRADUALLY EXTENDING CONTROL OVER BOLIVIA'S LEGAL COCA INDUSTRY, BUT STILL HAS A LONG WAY TO GO. REVIEWING DINACO'S RECENT PROGRESS OFFERS A GOOD CASE STUDY OF THE EFFECT INTERDICTION AND REGULATION CAN HAVE ON BOTH PRICE AND VOLUNTARY CROP ERADICATION.

THE MARKET VALUE OF COCA

2. A KEY ASSUMPTION OF OUR COCA REDUCTION EFFORT IS THAT LOW MARKET PRICES WILL DRIVE FARMERS AWAY FROM PRODUCING COCA AND INTO ALTERNATIVE CROPS. IN BOLIVIA, WHERE PRODUCING AND MARKETING COCA IS LEGAL UNDER CERTAIN CONDITIONS, DRIVING DOWN THE PRICE PAID FOR ILLICIT LEAF REQUIRES ATTACKING SUPPLY - THROUGH STRICT REGULATORY ENFORCEMENT, AND DEMAND - THROUGH SUCCESSFUL INTERDICTION. SUCCESSFUL INTERDICTION DEPENDS ON LAW ENFORCEMENT EFFORTS DIRECTED AGAINST THE TRAFFICKER NETWORKS. SUCCESSFUL REGULATION REQUIRES THOROUGH REGULATORY CONTROL OF THE COCA INDUSTRY BY DINACO. THE COMBINATION OF SUCCESSFUL INTERDICTION WITH REGULATION WILL CHOK OFF THE ILLEGAL MARKET AND LEAVE THE FARMER NO ALTERNATIVE BUT TO SELL COCA LEGALLY, WHERE PRICES ARE LOWER. EVENTUALLY THE LOW PRICES WILL HELP ENCOURAGE A SWITCH TO ALTERNATIVE CROPS.

3. THE CURRENT LEGAL PRICE FOR COCA IS ABOUT 180 BOLIVIANOS PER CARGA, OR ABOUT USD 40 PER HUNDRED POUND BAG. OUR BEST INFORMATION IS THAT CHAPARE BASED COCA FARMERS CAN SELL THEIR PRODUCT FOR MORE THAN TWICE THAT AMOUNT ON THE ILLEGAL MARKET, AN OPTION THAT REMAINS ALL TOO AVAILABLE.

CONFIDENTIAL

FOUO

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FOUO

PAGE:0198

MANAGING BOLIVIA'S LEGAL COCA MARKET

4. BOLIVIA'S FUNDAMENTAL ANTI-NARCOTICS LEGISLATION, LAW 1008, ESTABLISHES THE LEGAL FRAMEWORK FOR REGULATING THE COCA INDUSTRY. IN GENERAL TERMS, WHENEVER COCA IS TRANSPORTED OR SOLD IT MUST BE REGISTERED WITH DINACO. EXISTING REGULATIONS LIMIT THE ROUTES AND THE HOURS THAT COCA CAN BE TRANSPORTED, WHILE SELLING IS LIMITED TO CERTAIN SPECIFIC MARKETS WHERE DINACO INSPECTORS ARE PRESENT. ANY COCA LEAF NOT IN COMPLIANCE WITH THESE REGULATIONS CAN BE SEIZED BY DINACO INSPECTORS OR THE POLICE.

5. BECAUSE OF LIMITED RESOURCES, WIDESPREAD PUBLIC OPPOSITION, AND POOR GOB INTERNAL COORDINATION, DINACO'S EFFECTIVENESS IN ENFORCING THESE REGULATIONS HAS BEEN LIMITED. NAS LA PAZ SIGNED A LETTER OF AGREEMENT WITH DINACO IN 1991, AND HAS BEEN PROVIDING ESSENTIAL ASSISTANCE EVER SINCE. TODAY, NEARLY FIVE YEARS AFTER THE PASSAGE OF LAW 1008, DINACO STILL DOES NOT HAVE INSPECTORS ASSIGNED TO ALL OF THE CHAPARE COCA MARKETS, AND HAS ONLY RECENTLY BEGUN OPERATING SUSTAINED NIGHT PATROLS TO INTERDICT ILLEGALLY TRANSPORTED COCA. HOWEVER, THESE EFFORTS ARE STARTING TO PRODUCE RESULTS. DURING FEBRUARY DINACO INSPECTORS SEIZED OVER 5,000 LBS OF ILLEGAL COCA, AND 50 LBS. OF AGUA RICA, ALONG WITH

/***** BEGINNING OF SECTION 002 *****/
SMALLER QUANTITIES OF PRECURSOR CHEMICALS.

6. MOST IMPORTANT, ALL OF THE COCA DINACO AUTHORIZES FOR LEGAL SALE - NEARLY 700,000 LBS IN FEBRUARY - IS SOLD LEGALLY AND IS NOT BEING DIVERTED TO ILLEGAL PURPOSES AS IT WAS IN THE PAST. AS RECENTLY AS AUGUST 1992, ABOUT 90 PERCENT OF THE COCA REGISTERED WITH DINACO FOR SHIPMENT NEVER ARRIVED AT THE LEGAL MARKET BUT WAS BEING DIVERTED ENROUTE TO ILLICIT PURPOSES.

THE IMPACT OF INTERDICTION

7. SUCCESSFUL INTERDICTION EFFORTS DIRECTED AT NARCOTRAFFICKER OPERATIONS HAVE A POSITIVE, STRONG SECONDARY IMPACT ON COCA PRODUCTION. CHAPARE COCA FARMERS TYPICALLY HARVEST LEAF FOUR TIMES PER YEAR, BUT, ACCORDING TO COUNTER-NARCOTICS CENTER IMAGERY ANALYSIS, AS A RESULT OF OPERATION GHOST ZONE, MANY CHAPARE FARMERS ONLY MANAGED TWO HARVESTS DURING 1992. THIS DATA IS SUPPORTED BY ON-THE-SPOT REPORTS FROM DINACO AND DIRECO (THE COCA ERADICATION AGENCY) FIELD WORKERS. OBVIOUSLY, FEWER HARVESTS DIMINISH THE AMOUNT OF LEAF

CONFIDENTIAL

FOUO

CONFIDENTIAL

FOUO

PAGE:0199

AVAILABLE FOR PROCESSING INTO COCAINE AND ALSO MEANS
REDUCED REVENUE FOR THE FARMERS, ENHANCING THE
ATTRACTIVENESS OF ALTERNATIVES.

COMMENT: REGULATORY ENFORCEMENT IS GOOD FOR DEVELOPMENT

8. ALTERNATIVE DEVELOPMENT IS THE BEST LONG-TERM
SOLUTION TO COCA PRODUCTION IN THE ANDEAN REGION.
SIMPLY PUT, PEOPLE WHOSE VERY LIVELIHOOD IS DEPENDENT
ON GROWING COCA WILL NOT GIVE IT UP UNLESS THEY CAN
RELY ON SOMETHING ELSE. IN BOLIVIA, THE EFFORT TO
ERADICATE COCA PROCEEDS HAND-IN-HAND WITH ALTERNATIVE
DEVELOPMENT. AND IN THE CHAPARE VALLEY, WHERE THIS
EFFORT HAS BEEN CONCENTRATED, COCA REDUCTION AND CROP
DIVERSIFICATION IS TAKING PLACE. BUT THIS SUCCESS
COMES SLOWLY, AS IT DEPENDS ON CHANGING ATTITUDES.
OFFERING FARMERS AN ALTERNATIVE IS JUST THE CARROT, THE
STICK IS ADDED BY LIMITING COCA SALES TO THE LEGAL
MARKET ONLY, WHICH IS DINACO'S MISSION, COUPLED WITH
STRICT INTERDICTION TO CUTOFF ACCESS-TO THE ILLEGAL
MARKET. WITHOUT THESE EFFORTS COCA FARMERS WILL
CONTINUE FINDING IT EASY AND PROFITABLE TO SUPPLY THE
NARCOTRAFFICKERS.

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